

Editorial COVID-19 Underscores We Need to Go Extra Mile in Public-Private Cooperation for Sustainable Development

COVID-19 Underscores We Need to Go Extra Mile in Public-Private Cooperation for Sustainable Development Since its first detection in Bangladesh on March 8, the pandemic COVID-19 has slowly but almost ineluctably imploded the grand dynamism of the country's economy. The viral havoc has been not only a global health emergency but also an economic shock of epochal proportions. It has pierced the economic momentous, GDP growth projections came crashing down from more than 8% to just above 2% in 2019-2020. According to the World Bank, South Asia's economic performance will be the worst in four decades due to the COVID-19.

As an organization committed to private sector growth and sustainable development, BUILD quickly responded to the vacuum created by the unforeseen economic fallout due to COVID-19. The experts and analysts from BUILD's team provided a steady stream of commentary and analysis on the COVID-19 crisis from early on. In synchrony with the fluid and evolving situation, BUILD adapted and updated its assessment of the situation and proposed policy suggestions for the government.

Right after the initiation of lockdown, BUILD released a policy paper on "Action Plan to Fight against COVID-19 in Bangladesh", proposing special financial incentive fund or packages, financing SME sector to cope with the shock, wage support to businesses for paying workers, tax exemptions, and online survey.

BUILD analyzed the areas or sectors of stimulus included: Loans/ Investments for active export oriented industries, package for large industries and services, special working capital facility for CMSME sector, Export Development Fund (EDF), Refinance Scheme for Pre-shipment Credit, Agricultural Stimulus Package, emergency allocation for healthcare and agricultural loan etc. BUILD CEO wrote an article called "South Asian Stimulus for Addressing COVID-19 in the Financial Express. The article observed that although a South Asian response to the pandemic was envisioned and some funds were allocated by South Asian leaders, implementation of the regional response has been lackadaisical.

BUILD prepared a brief on quantitative easing, assessing potential alternative options for enhancing money and credit supply to stave off the recessionary tailwinds of COVID-19.

BUILD also launched an online-based Survey on Impact Assessment to cover overall impact of the pandemic, impact on operations, risks and uncertainties, and online infrastructure of the firms.

BUILD's analysis identified that institutional effectiveness is essential to generate impact from the economic stimulus as well as recovery. For example, as many factories are reopened to sustain export, guidelines and supervision would be essential to ensure that workers' health and safety are ensured. Policies need to take into account the specific vulnerabilities of various socio-economic segments, including the SMEs and marginal groups that are most stridently affected by the crisis, such as the 20m people relying on the informal sector in Bangladesh. As the government seeks to balance the health risks and economic damage of lockdown, it is evermore paramount to take into account relevant analysis and evidence in policy-making.

The preparedness of businesses to weather unforeseeable crises like this needs to be boosted manifold, and a collective, networked approach should be taken by businesses in this regard, learning and helping each other while also taking the benefit of the knowledge and resources of local and global think tanks, development organizations, and other stakeholders.

Ferdaus Ara Begum
CEO, BUILD

We pray for your wellbeing, stay safe and healthy

Dear Colleagues

We sincerely hope you and your loved ones are safe and well. For all of us at BUILD, there is nothing more important than the safety and wellbeing of you. While we are into social distancing, we are writing to let you know that we are here for you and your business touched by this pandemic. We have opted for work-at-home to keep you safe and our conformity with the government efforts.

There will be no interruption in our commitment to providing up-to-date support, and advocacy for private sector development. We wanted to make certain that we are working hard with different stakeholders to help the government overcome the situation despite and we remain fully operational. Below is a list of activities of our efforts we have made in light of the pandemic.

Further, we are in touch with the Governments and continue and expand our efforts to help the Government reach the most-affected people and businesses—with policies. We also do appreciate our government for already taking significant steps, with major measures being announced on a daily basis—including coordinated moves on stimulus package.

During this pandemic, our mission remains more important than ever—to place BUILD as a platform for fact-based and research-backed dialogue and advocacy platform, with the objective of identifying investment climate constraints and recommending changes to laws, policies and regulations in order to unlock growth potential of the country's private sector.

In the days ahead, we look forward to sharing with you updates on the progress our researchers are making around the country. In the meantime, we wish you wellness and safety during this challenging time.

We and Trustee Board Members along with the full BUILD Secretariat are always around you for connecting the public and private sector for better communication, coordination and collaboration in bringing reforms in business policies and procedures to improve the country's investment climate in Bangladesh.

Finally, we would like to finish by thanking you all for the support you have given to us in previous years.

Sincerely

Abul Kasem Khan, Chairperson, BUILD

Important Activities of BUILD to Address COVID-19

- ❑ Prepared a policy paper on COVID-19
- ❑ Prepared a summary paper with comments on Special Packages announced by the government
- ❑ Organized Virtual Dialogues on different priority sectors to gauge their problems
- ❑ Establish partnership collaboration— a Private Sector Alliance for Disaster Resilient Societies, working as a network of private sector entities led by UN office for Disaster Risk Reduction (UNDRR).
- ❑ BUILD is going to translate COVID-19 Planning Tool for SMEs which will be posted in the website of UNDRR and ARISE for well circulation
- ❑ Preparing a list of potential medical equipment and other COVID products which has potential for investment
- ❑ Separate Budget proposals to address COVID-19 issues
- ❑ Supporting to preparing a Lockdown Exit Policy
- ❑ Maintaining contacts with its partners to know their issues on COVID-19
- ❑ Gathering data on employment, agriculture and other related sectors which is required at the moment
- ❑ Preparing op-ed on foreign investment need and other related issues

BUILD Trustee Board Shared Plan of Activities with PMO



BUILD Trustee Board Chairperson by Abul Kasem Khan, Chairperson Hands over a flower bouquet to Dr. Ahmad Kaikaus, Principal Secretary to the Hon'ble Prime Minister on 4th March at the PMO.

BUILD Trustee Board Members led by AbulKasem Khan, Chairperson of BUILD called on Dr. Ahmad Kaikaus, Principal Secretary to the Prime Minister and discussed on BUILD's activities including Private Sector Development Policy Coordination Committee (PSDPCC) established at PMO at the meeting on March 4, 2020 at the Prime Minister's Office.

Abul Kasem Khan, Chairperson of BUILD while briefing about overall activities said that BUILD has so far tabled 785 policy reform recommendations through its 5 Thematic Working Committees to, PSDPCC on which 376 reforms have been approved, 238 have already been implemented while the rest of the 124 are under implementation and 316 are under review.

He mentioned that we need policy simplification, unlocking regulatory barriers to attract more investment for increased job creation. He also said that we need to reduce our dependency on banks with alternate source of funding particularly our capital market needs to re-energize for long term financing.

Endorsing BUILD Chairperson, Dr. Ahmad Kaikaus, Principal Secretary to the Prime Minister said that PSDPCC needs to suggest investment friendly policies for the economy, he also said policy to address the capital market, which should be alternative funding sources of our economy could be one of the major areas for PSDPCC to look into. He also underscored quality research work should be BUILD's focus. He appreciated the role of PSDPCC and mentioned that it is truly a unique platform to facilitate the private sector growth more effectively and the PMO will continue to assist and support, he said.

Principal Secretary further added that we must have effective policy advocacy to ensure the expected change and BUILD should find out potentials of our sectors and come up with specific and target oriented agenda with short term plans in the upcoming PSDPCC meeting.

Thanking PMO for facilitating private sector development though PSDPCC, Shams Mahmud, President of Dhaka Chamber of Commerce and Industry (DCCI) said that we direly need good policies to be implemented to harness the benefits of development.

Asif Ibrahim, Trustee of BUILD and Chairman of Chattogram Stock Exchange said that BUILD rotates its functions through different working committees co-chaired mostly by the Secretaries of relevant ministries from the Government and one from the private sector which is why the platform is accepted and trusted by all corners. Farooq Ahmed, Secretary General of MCCI said that our research is based on market reality and practical approach.

Having mentioned the agenda of the upcoming PSDPCC Meeting, BUILD CEO Ferdous Ara Begum sought attention of Principal Secretary regarding the date of next PSDPCC Meeting.

The meeting was attended by Md. Joynal Abdin, Secretary of DCCI and Md. Ziaul Hoque, Director-1, Prime Minister's Office.

Tax Incentives for R&D Underscored by BIDA and BUILD



BUILD Chairperson AbulKasem Khan holds talk with BIDA Executive Chairman Md. Sirazul Islam at BIDA of PMO.

BUILD Trustee Board Members led by AbulKasem Khan, Chairperson of BUILD called on Md. Sirazul Islam, Executive Chairman of Bangladesh Investment Development Authority (BIDA) on 11 March, 2019 at BIDA.

While briefing about overall activities of BUILD Chairperson updated about BUILD's secretarial services to the Private Sector Development Policy Coordination Committee (PSDPCC) chaired by the Principal Secretary at PMO to establish a structured mechanism to advocate for private sector issues to work for simplification of regulatory reforms and thus unlock investment constraints.

Since R&D underpins our future prosperity, the Government should consider tax incentives for companies on R&D, innovation, training, skills development initiatives so that they invest and develop local resources and products, said AK Khan. We need to develop new areas of competitive advantage for Bangladesh to harness its investment attractiveness. He further suggested prioritizing Public Private Partnership (PPP) projects with high rate on return (ROR), so that success of these projects could attract more new projects in PPP and boost foreign direct investment (FDI).

Echoing BUILD Chairperson, Md. Sirazul Islam, Executive Chairman said policy continuity and policy stability are very important for investors and investment climate. He suggested that there is a need for sectoral database within the country as well as better information on the specific investment needs of different countries that are prospective sources of investment. Referring to the Business Licensing Guide Book, he suggested publishing an online version of the Book besides the print version.

Having expressed concerns over present condition of skills development in the education system, he said that our education should offer programmes that are a blend of knowledge and skills, covering technical and vocational education, and enabling learners to move directly to employment sectors. BUILD CEO Ferdous Ara Begum referred to some of the activities of BUILD in addressing Ease of Doing Business and policy reforms in respect of repatriation, which is pursued by BUILD in collaboration with BIDA.

She also referred to business confidence survey conducted by BUILD for gathering perception of enterprises and in this respect sought support from BIDA.

Md. Joynal Abdin, Secretary of DCCI, Moshaddak Alam, Sr. Communication Associate and Rawshon Shahriar, Research Associate, BUILD attended the meeting.

Chairperson's First Visit to BUILD



Chairperson, BUILD paid a visit to meet BUILD officials on 8 March, 2020

BUILD office was overwhelmed by the presence of its Chairperson on 8 March, 2020. BUILD officials welcomed BUILD chairperson and handover a flower bouquet. The meeting began with a short video presentation. Chairperson was welcomed with flower by all female employees of BUILD as a form of celebrating international women's day.

BUILD team members gave their self-introduction and briefed on their respective ongoing works under their working committee. The discussion picked up several suggested areas where activities can be conducted in near future. SME Ministry can be proposed to develop the SME sector development. SME Financing system development can be an area to focus on. Increasing investment opportunities need to be conducted by following the model of Vietnam in three areas which are institutional development, infrastructure development and skill development. Computer & 4 IRR, Logistics (Warehousing), Capital Market Development and Green field project financing under capital market can be the new areas where working committees can be formed according to Chairperson's suggestions. Port privatization, cash incentive policy simplification, transaction simplification for payment under telegraphic transfer etc. issues also came up in the discussion. A Short Discussion between the Chairperson and the Taxation Working Committee was also held regarding upcoming Budget proposal.

BUILD's Policy Brief on COVID-19



COVID19 pandemic has created unprecedented chaos worldwide causing ongoing disaster on human life and immense economic loss. Governments across the world have announced various

stimulus packages. In Bangladesh, also the Government has announced various safety measures including a BDT 5000 crore package for the export oriented industries for meeting the salary of workers. The Government has also announced some other policies and a nation-wide stay at home program from March 26 to April 4, 2020 in order to reduce the spread of the deadly coronavirus. In the meantime, Bangladesh Bank has taken some policies for loan classification and relaxation of Foreign Exchange Regulations for trade transactions.

The world's governments are racing to support people and businesses until the new coronavirus is contained. Already, Governments are trying to devise economic strategies with the slowdown of economic systems due to lockdown under the pandemic. While measures have the potential to reduce deaths and infections, on the contrary they will also result in damaging economic and business prospects for many companies and countries, causing a synchronized worldwide disruption. Each country will have its stimulus package based on economic composition.

BUILD suggested for the following:

In order to address these concerns and also to address the overall socio economic situation, we can create a National Economic Fund (NEF) which can be in the range of 10% -12% of the National Budget amount, approximately Taka 50,000 crore (USD5b) - which will be 1.6% of GDP. Under which, a Special Economic Assistance Fund – (SEAF) could be created under the National Economic Fund (NEF) designed to support liquidity for business from MSME to large firms to cater to the need to overcome the current and on- going disruption due to prevailing situation.

This fund will extend loans with no interest with extended installment payment with a starting grace period of 3 months. Perhaps this is the appropriate time to issue an emergency bond. Preferably for exporters in foreign currency since, they earn in dollars. This will free up some BDT resources for MSMEs in the budget.

Government should take necessary measures to reduce income tax and corporate tax rates by 5% across all sectors. Additional Tax relief for business connected with its past tax payments records for minimum 3 years. In addition to that delayed tax payments process to be introduced so that business/industry and individuals are not under financial difficulties. NBR should also consider postponing collection of taxes for 2 quarters. No charges of any tax delays, zero demurrage charge on import and other relief needs to be given to businesses particularly for SMEs.

Safeguarding employment is an important challenge for the Government. Government must ensure businesses don't cut jobs due to the economic downturn. Therefore, some mechanism needs to be developed to keep jobs. Therefore, additional 2% tax relief to firms where there is no job loss for next one year.

Government should increase spending on research and development including health services should be encouraged in the budget for the coming year. 2% of gross revenue of a company should be allowed for investment in R&D, Innovation, Health Costs, Training, SDG etc. It is also vital to encourage PPP models for setting up hospitals and clinics in the upcoming budget with special support in allocating land.

Ministry of Industries/BIDA/ MOC can take a task by circulating an online FORMAT for gathering information on impact of the COVID-19 on different industries so that an assessment of loss can be prepared immediately to announce stimulus package for the survival of the concerned sector. The corona virus (COVID-19) outbreak could cause global foreign direct investment (FDI) to shrink by 5%-15%, according to an UNCTAD report published on 8 March.

Therefore, we must take steps in light of the global FDI to attract investments and also reallocate budget for the economy. Promotional activities should be taken for the development of key backward industry for our exports and also for other industry to create a secondary option to China. Form a Task force with the private sector to identify the key areas. The allocation of budget on all the sectors might be revisited and reallocate funds to priority sectors given the current economy and state of global environment.

In the year 2019-20 the budget for Health Service Division was BDT 19,944 crore which was BDT 17,269 crore in 2018-19 and BDT 15,386 in 2017-18. Allocation for Ministry of Health and Family welfare was in an around BDT 5000 crore. The amount seems to be much less for a fully equipped health sector. In the up-coming Budget allocation for

this sector needs to be ready for better health education, research and development. Government needs to enhance spending & giving budgetary supports to many sectors including redoubling its spending on public health and medical infrastructure including research & innovation.

Bangladesh Bank (BB) has already relaxed its policy to suspend adverse classification of any loan till June 30. Under the relaxations, the banks have been instructed not to adversely classify any loan till June 30 on a circular issued on March 19,

2020 The central bank has also suggested scheduled banks to run automated teller machines (ATM), point of sale (POS), internet and app-based banking uninterruptedly.

Over and above it can be said, COVID-19 has brought a wave of new changes and challenges not only within the country but also throughout the globe will impact maintaining bilateral, trilateral and global relationship. The socio-political impact of the COVID-19 is not clear yet, respective countries have to have in-depth analysis on these issues. For detailed analysis a pull of researchers have to be engaged immediately to understand and assess need of the country and also to understand short, medium and long term measures in order to uphold the growth momentum which has been achieved as a result of all concerned.

BUILD Chair's Interview on COVID-19

In a quick reaction Abul Kasem Khan, Chairperson, BUILD said, "We welcome the prime minister's package of Tk 5,000 crore for the export-oriented industry. But there are many other sectors, including SMEs, which generate lots of jobs. The most vulnerable will be people's jobs as the aftershock of the coronavirus will hit the country's employment generation hard, with production being hindered for lack of working capital." Therefore, he suggested that the government may declare a comprehensive bailout package which should not be less than 3% of GDP.

<https://thefinancialexpress.com.bd/views/views/interest-rate-cap-its-implications-1584715439>

BUILD hails Financial Stimulus Package to fight the Impact of COVID-19 to the Economy

BUILD hailed the stimulus packages announced by the Hon'ble Prime Minister which is timely and will help survive the economy towards further downturn.

Hon'ble Prime Minister announced the "Economic Impact & Action Plan" to fight against the potential negative impacts of COVID-19 on 5th April, 2020. She highlighted some impacts which would affect the present economic growth and flow of private investment; hotel, restaurant, aviation, transportation sector etc. Apprehending fall of export, shrink of domestic market, remittance flow, purchasing power because of lockdown of SMEs and Large industry as well as the disruption of supply chain she announced the financial stimulus package of BDT 72,750 crore (727.5 billion) which is 2.5% of the GDP. Along with the BDT 50 billion announced earlier for export sector, the total amount stands at BDT 777.5 billion now. Extension of EDF, reducing interest rate, support package for SMEs and suffered industries and services sector, this support will definitely work as a moral boost to the private sector and maintaining investment flow.

ADB predicted that Bangladesh economy will lose USD 3.02 billion due to the COVID-19, the impact can be much higher if the situation continues further.

On April 1, 2020 Business Initiative Leading Development (BUILD) a private think tank, published a "Policy Paper on Action Plan to Fight against COVID-19 in Bangladesh", where it recommended for establishment of special financial incentive fund/packages of BDT 50,000 crore for financing SME and other related sector, also recommended for tax and VAT exemption for certain time so that business can get some immediate relief.

BUILD feels that management of this fund will be a huge challenge to reach it to the real sufferers, for this a high powered economic strategy committee can be formed soon in which private sector representative can be included. Private sector Chambers/association can extend support to the committee by providing impact-analysis based information so that funding support goes to the really needed sectors and industries. With this the tax and VAT relief for the time being to the desired sector can be helpful for the private sector.

COVID-19 Budget Proposals of BUILD for FY 2020-21

AS requested by NBR, Business Initiative Leading Development (BUILD) has prepared a set of proposals and sent to NBR. In total 49 proposals were prepared by BUILD on which emphasis was given on health, agriculture, social protection, SME development etc. Additionally, because of the emerging private sector need some relief in paying taxes and time extension is required so that they can get some breathing time to pay taxes specially paying VAT return and tax return. Some highlights are as follows:

Some Highlighted Issues on Specific Sector

Health Sector Budget

Health sector budget should permanently be increased to at least 2 per cent of GDP from the current allocation of 1.0 per cent of GDP. It will strengthen health related research, emergency health service, health insurance scheme better health care system.

Social Protection

Allocation for social protection needs to be increased from 2.2% to at least 6% of GDP which is approximately BDT 1.5 trillion from the present level of BDT 67000 crore.

Agriculture Sector

- ❑ In respect of agriculture sector, budget allocation for Ministry of Agriculture should be at least 6% of the National Budget for FY 2020-21, the large some amount should be allocated for Subsidy for Seed, Fertilizer, Irrigation & Utility Bill, Incentives for Export (Agricultural Product & Processed Item, Loan to Farmers and providing financial support to Export Oriented Processed Agricultural Goods Manufacturer. The subsidy for agro sector needs to be announced worth BDT 15,000 crore which was BDT 9,000 in FY 2019-20.
- ❑ A Concessional Interest Rate: Interest rate for "Special Incentive Refinancing Scheme for Agricultural Sector" or any other Financial Stimulus Fund by the Government for this sector should be set at 2-3% for a certain period.

Fiscal and Monetary Policy

Fiscal and Monetary Policy Coordination can be given more importance, in that case quarterly response of economic indicators such as; ADP spending, employment trend, trade balance, investment trend, forex reserve, exchange rate, inflation, and other monetary policy instruments would need to be monitored.

Cottage, Micro and Small Enterprise

For Cottage, Micro and Small Enterprise BUILD suggested providing Credit Guarantee Scheme, Fiscal stimulus for income tax and VAT registered enterprises to upgrade the tax database through minimum compliance by submitting nil return for at least one year.

Income Tax

- Income Tax Exemption Limit Extension can be increased, Return submission deadline should be extended due to COVID-19 situation. No charges of any tax delays.
- Corporate tax rate can be reduced
- The income tax payment system should be automated.

Value Added Tax (VAT)

- No late fee and the Interest for the VAT Payers who could not submit their VAT Return file during this situation.
- There could be an option, who could not submit VAT returns can request respective VAT commissioners to allow application to waive penalty, considering the existing situation.
- VAT Exemption for Small business could be a benefit in that situation.
- Tax at source from local raw material suppliers to be reduced
- VAT at trading stage need to be set at 2% for the next fiscal year.
- VAT exemption for the enterprises that have yearly turnover below BDT 50 lakh need to be applicable for all after the economic shock of COVID-19. In this respect, GO-17 needs to be cancelled for the next one year.

Customs

- NBR issued an SRO on 22nd March, 2020 regarding COVID-19 related equipment import, considering these issues as very important, transportation facilities during the period should be allowed for them.
- Another circular needs to be issued allowing tax exemption for domestic production and sellers of these items so that they can also operate during the crisis period. BUILD has prepared a list 105 medical equipment and other essential products which has tremendous demand at the moment.
- Port congestion to be removed, private depo could operate more products than earlier ones, and the relevant SRO can be revisited.
- Import duty on industrial raw materials would need to be rationalized.

Activities of BUILD on COVID-19

COVID-19 pandemic has created an unprecedented chaos worldwide causing ongoing disaster on human life and immense economic loss. Because of the wake of the COVID-19 pandemic Bangladesh is facing negative impact. Export outflows are getting disrupted, import inflows are facing delays, outmigration has ground to a halt, business contacts are getting delinked and investment flows are facing growing uncertainties.

Business Initiative Leading Development (BUILD), the private sector based think-tank in the country has prepared a working paper on the current situation of the private sector in the wake of COVID-19 and way forward. Several recommendations have been provided in the policy paper. Some of the major recommendations are:-

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| Tax Measure | <ul style="list-style-type: none"> • Reduction of income tax and corporate tax rates by 5% across all sectors and additional Tax relief for business connected with its past tax payments records for minimum 3 years. • Delayed tax payments process to be introduced so that industry and individuals are not under financial difficulties. |
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| | <ul style="list-style-type: none"> • No indiscriminate use of account freezing of firms. • No charges of any tax delays, zero demurrage charge on import and other relief needs to be given to businesses particularly for SMEs. |
| Employment of safeguarding Measures | <ul style="list-style-type: none"> • Government must ensure businesses don't cut jobs due to the economic down turn. Therefore, additional 2% tax relief to firms where there is no job loss for next one year. • Creation of new job will be given incentives through tax benefits. |
| Creation of Fund for local Industry support under SEAF | <ul style="list-style-type: none"> • Overall National Economic Fund (NEF) as stated can be 10%-12% of the National Budget amount to approximately Taka 50,000 crore (1.6% of GDP), should be allocated for creating Special Economic Assistance Fund (SEAF) for the economy. • Formulation of plan to provide easy and cheap loans for local industries particularly for MSME sector. |
| R&D | <ul style="list-style-type: none"> • Increase spending on Research and development • 2% of gross revenue of a company for investment in R&D, Innovation, Health Costs, Training, SDG etc. • Encourage PPP models for setting up hospitals and clinics in the upcoming budget with special support in allocating land |
| Attracting FDI | <ul style="list-style-type: none"> • Promotion for development of key backward industries • Revisit the allocation of budget on all the sectors a funds to priority sectors • Government should consider offloading all Enterprises (SOEs) and start privatization policy including offloading of sha capital markets |

BUILD Article on National Dailies

South Asia's stimulus for addressing Covid-19

<https://thefinancialexpress.com.bd/views/south-asias-stimulus-for-addressing-covid-19-1587309608>

Covid-19 stimulus packages: Protecting jobs

<https://thefinancialexpress.com.bd/views/reviews/covid-19-stimulus-packages-protecting-jobs-1586704755>

Interest rate cap: Its implications

<https://thefinancialexpress.com.bd/views/interest-rate-cap-its-implications-1584715439>

Country far behind to ensure participation of women entrepreneurs in business: Ferdaus Ara Begum

<http://thedailynewnation.com/news/248719/country-far-behind-to-ensure-participation-of-women-entrepreneurs-in-business-ferdaus-ara>

Ceiling on bank interest rate and its effect

<http://thedailynewnation.com/news/249457/ceiling-on-bank-interest-rate-and-its-effect>

Partner's Corner

DCCI for Stimulus Package Disbursement

Dhaka Chamber of Commerce and Industry (DCCI) suggested disbursement of stimulus packages among micro, small and medium enterprises (MSMEs), through state-owned banks (SoBs). The suggestion was made in a telephonic discussion between the DCCI President Shams Mahmud and the Finance Minister A H M Mustafa Kamal.

DCCI President appreciated the proactive steps taken by the Prime Minister and the announcement of Finance Ministry on the stimulus packages especially for MSMEs.

The DCCI President mentioned that in spite of the measures being announced, cottage, MSMEs may face hurdles in getting required access to finance from banks under the packages announced. He said most of the cottage, SMEs, MSMEs and cash-transaction-based traders may be deprived in getting stimulus funds from the banks because of the requirements of having loans and due to lack of good relation with the banks.

As a way forward, DCCI proposes to utilize SOBs to disburse stimulus funds particularly for MSMEs. DCCI also proposes to the Finance Ministry to chalk out a plan for a considered gradual opening up of different business sectors.

In response Finance Minister A H M Mustafa Kamal, MP said that the Finance Ministry had adopted a policy for bringing out an inclusive, transparent financial stimulus packages with people from all sectors in mind. He said, his ministry was also engaging with foreign development partners in order for bringing in funds at a low cost to further boost the stimulus packages.

The Finance Minister also mentioned the programmes undertaken by the government to ensure food security. All these measures are being undertaken in a transparent way with clear identifications to ensure transparency. DCCI President Shams Mahmud thanked the Finance Minister and the efforts of the Ministry during this unprecedented time and taking the time to engage and take suggestions from all stakeholders.

MCCI Launched a Report Titled "Bangladesh's Journey to Middle-Income Status: The Role of the Private Sector"



Representatives from the International Finance Corporation (IFC) and the Metropolitan Chamber of Commerce and Industry, Dhaka (MCCI) together with Salman F. Rahman, MP, Adviser to the Hon'ble Prime Minister, Private Industry and Investment at the launched the report titled "Bangladesh's Journey to Middle-Income Status: The Role of the Private Sector". The IFC, in partnership with the MCCI, launched the report on March 11, 2020 at the MCCI office in Gulshan.

Access to finance, corruption and political instability are three major barriers the private sector faces in Bangladesh, according to the study.

The International Finance Corporation, IFC, surveyed 103 private firms from February to April 2019 in order to assess the firms' resilience and deeper challenges.

Equitable growth, finance and institutions senior economist Ali Zafar, M MasrurReaz and IFC consultant FaariaTasin conducted the survey.

The report says 24 per cent of the firms identified access to finance as major constraints while 18 per cent cited corruption as the greatest difficulty, and 11 per cent political instability and nine per cent pointed to informal competition as the top challenges. However, the country's private sector sees the future even grimmer as firm's ranked access to finance 27.6 per cent of obstacles in the future.

They also listed trade logistics and customs administration 17.8 per cent, corruption 16.5 per cent, law order and security 13.2 per cent, informal and formal competition 10.5 per cent and taxes 7.6 per cent as the future obstacle of the private sector.

"With conspicuous exception of energy policy and zones policy coupled with strong infrastructure projects, there has been slippage in reform in several areas, especially the financial sector, doing business, tariff harmonization and logistics modernization," it said.

The survey conducted detailed case study on 10 biggest and most successful conglomerates to understand Bangladeshi firms better.

CCCI's Proposals to Save Economy amid the Coronavirus Pandemic



The Chattogram Chamber of Commerce and Industry (CCCI) submitted ten proposals to the government for saving the trade and business, export and import in the port city of the country amid the coronavirus pandemic.

CCCI President MahbubulAlam sent a letter to the concerned ministries of the government in this regard on April 1, 2020.

The ten proposals included special facilities for clearing the import goods.

He said, "Presently, there is no facility to test the coronavirus in the event of imported goods at the Chittagong Port. As a result, huge essentials are yet to be cleared for lack of the said test. I request the government and Chittagong Port Authority (CPA) to ensure the test here now."

He proposed exemption of the port charge for the imported goods as the importers cannot get delivery of the goods due to the coronavirus fear now. He also sought exemption of off-dock charge, shipping agent fare, etc. for the imported goods. He proposed extension of time to pay the power, gas and water bills till June in the current year. He also sought exemption of VAT for the current year.

The CCCI President proposed rescheduling term loans and installments and also exemption of interest for 90 days.

He also proposed waiver of all power, gas and water bills for one month. Mahbubul Alam said the government should take steps against the price hike and manipulated crisis. He further proposed considering the banks interest now as there is no cash flow.

He said, "Exporters, importers and businessmen are facing a crisis now. Maximum orders of garment factories are cancelled or the supplies missed the deadlines. Besides, industries and traders are in grave crisis as the country and almost the whole world are locked down now.

BUILD Reforms

Direct Financing from EURO on Green Transformation Fund

The issue regarding direct financing in EURO in export financing was highlighted in the study on 'Financing Schemes & Available Credit Facilities for Export Competitiveness of Bangladesh' presented in the 7th FSDWC meeting of BUILD chaired by Deputy Governor, Bangladesh Bank held on August 7, 2019. In the discussion, the feasibility of expansion of import payment through Euro against their usance L/C in export financing came up. The stakeholders also requested the central bank to explore how to use the settlement with different currencies such as EURO, RMB etc. BUILD recommended that direct financing in EURO can be explored in export financing.

Through FEPD Circular No. 20: on 15/04/2020, Bangladesh Bank has added 200 million Euros to the existing \$200-million Green Transformation Fund for the refinancing of environmentally- friendly projects. From the new fund, all export-manufacturing industries will be able to avail loans in Euros through authorized dealer banks at less than 2% interest, to import environment- friendly and energy-efficient capital machinery and accessories including buyer's credit. Authorized Dealer banks can borrow money from this fund at 1% interest rate to further finance the exporters-manufacturers. With this loan in Euros, industries can import industrial raw materials to use in all manufacturing enterprises including export-oriented ones and deemed exporters.

GTF is the concessionary loan for importing capital machineries and accessories for all export-oriented sectors in the country.

Through this reform, the direct financing in EURO has been initiated in the export financing. If the user experience is positive, the other export financing in foreign currencies such as RMB can also be explored.

Inclusion of New Products/Initiatives in the List of Environment friendly Green Products/Initiatives of Bangladesh Bank

BUILD placed a recommendation on the inclusion of new products/initiatives in various sectors the list of Environment friendly Green Products/Initiatives of Bangladesh Bank for the green financing. This issue was highlighted in the study on 'Financing Schemes & Available Credit Facilities for Export Competitiveness of Bangladesh' presented in the 7th FSDWC meeting of BUILD chaired by Deputy Governor, Bangladesh Bank held on August 7, 2019. Bangladesh Bank established the Refinancing Scheme for Green Products/Initiatives with its own fund in 2009. The fund provided refinancing for investment in fifty one products under eight categories. After conducting above mentioned study, BUILD placed a recommendation on including new green products in several categories related to recycling, sludge incineration, waste management, and implementation of circular economy to give more emphasis on green financing. In a recent meeting with Sustainable Finance Department on 28 November, 2019 BUILD requested the Central Bank to include Rooftop Solar in the list of green products/initiatives.

Through publishing the new Master Circular (SFD Circular No. 2 dated 30 April, 2020) on Refinancing Scheme for Environment Friendly Product/Initiative/Project, Bangladesh Bank has extended the number of environment friendly products/initiatives/projects to fifty five products under nine categories from the previous fifty one products under eight categories. The newly included products are Medical Waste Management Unit/Plant and E-Waste Management Unit/Plant under Solid Waste Management, Net Metering Rooftop Solar System, Solar Pico Grid and Solar Nano Grid under Renewable Energy.

Increase of Fund Limit of Refinancing Scheme for Environment friendly green Products/Initiatives/Projects

BUILD requested the Sustainable Finance Department of Bangladesh Bank to extend the limit of Refinancing Scheme for Environment friendly green Products/Initiatives/Projects from BDT 200 crore to BDT 400 crore. This reform recommendation was sent to SFD, Bangladesh Bank through a letter dated 3 December, 2019.

In order to broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., Bangladesh Bank established a revolving refinance scheme amounting to Taka 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The product line previously was enhanced to 51 under 08 categories. Formulation of new master circular (SFD Circular No. 2 dated 30 April, 2020) indicates the extension of product line to 55 products under nine categories. Since inception, total amount of Tk. 4,488.99 million has been disbursed as refinance facility from the fund till December 31, 2019. This particular fund performed better than Green Transformation Fund so far in terms of green financing. The extension of the fund limit to BDT 400 crore will encourage more industries to avail green financing in various aspects in near future.

BUILD Scope

Study on the Merit of Foreign Direct Investment (FDI) in Bangladesh's Logistic Sector

BUILD is going to conduct a joint project/study on the merit of Foreign Direct Investment (FDI) in Bangladesh's Logistic Sector. The study will help to improve policy makers' understanding on this matter and help them take informed decision because of what is beneficial solution in terms of allowing FDI in this sector. Objective of the project is to assess the impact of allowing and not allowing FDI in this sector in light with Bangladesh's future development strategy and the need for a strong logistics sector. In that respect, BUILD is working to develop an overview of the current state of Bangladesh's logistics sector, to take stock of existing local and foreign investment in this sector and understand the sector's integral link with economic development. Moreover, an analysis is going on to assess the sector's capacity to cater to the demands emerging from the country's current economic growth, to examine Bangladesh's existing legal and regulatory frameworks on FDI in logistic sector.

Logistics Development Working Committee: 7th Thematic Working Committee of BUILD is proposed to be formed.

Meeting on Climate Displaced People of Mongla

A Meeting was held on March 5, 2020 at the Board Room of Business Initiative Leading Development (BUILD) on a study on climate displaced people of Mongla, which is commissioned by the Promoting Knowledge for Accountable System (PROKAS) under British Council and UKaid. BUILD has been engaged as a consultant/ partner of the project. The meeting was held among BUILD CEO Ferdaus Ara Baegm, Consultant Absal Shaquib Quoreshi, Additional Research Director of BUILD Md. Tahmid Zami and Research Associate of BUILD Md. Mehedi Hasan.

The main purpose of the meeting was to discuss about the proposed activities of second phase of 'Potential High Value Business Opportunities in the Southwest Region of Bangladesh for Employment to Accommodate Climate-induced Migrants (CIMS)' project. Discussants of the meeting identified three broad project activities to be accomplished. These are: engaging businesses on business plan, mobilizing finance and assessment of three additional sectors. The discussants also identified the role of BUILD and consultant in the new project. They set up a primary timeline to start the activities of the project.

In the second phase of project, BUILD would validate the already developed business plans, add three further sectoral business plans, and most importantly, based on the evidence/ plans, promote investment in Mongla and its adjoining areas to generate jobs.

It was decided in the meeting that the consultant would identify potential investors and engage with them to encourage them to prepare investment proposals. BUILD would engage its personnel to organize the events, maintain communication with businesses, providing them with the right information, and following up with their progress.

Seminar on CMSME Sector in Bangladesh: Acclimation, Expectation and Remedies

A seminar on Cottage Micro and Small Enterprises (CMSME) MSME Sector in Bangladesh: Acclimation, Expectation and Remedies was organized by Bangladesh Bank at the Banker-SME Women Entrepreneurs Conference and Product Exposition on March 7, 2020 at the BIBM Conference Room. Mr Rashedur Rahman, ICE Centre, Dhaka University initiated the discussion while resource speakers were; Mr. Md. Shafiqul Islam, MD, SME Foundation, Mr. Md.Akhtaruzzaman, GM, BIBM, Ferdaus Ara Begum, CEO, BUILD and Lila Rashid, GM, SMESPD, Bangladesh Bank.

Ms Ferdaus Ara Begum in her presentation said that the contribution of cottage, Micro and Small enterprises is 99.82% while their contribution for employment is about 20.32million, but in the industrial Policy there is no separate mention of special treatment for these segments, Ministry of Industries is supposed to look after the issues of large industries and corporations then who will take care of CMSMEs issues.

Referring to the examples of other countries she said the number of women entrepreneurs in Bangladesh is still very small(7.20%), while a significant number of them are in informal sector, for economic empowerment of women formalization of women business is very important. In that respect legal and regulatory environment for women entrepreneurs needs to be simplified. Citing example of e-commerce, she said that this business is not included in the trade license because they cannot give commercial address, thus deprived of getting trade license and also can not apply for bank loan.

She also suggested for inclusion of a new chapter for cottage and micro industries in the new SME policy, because the policies for this segment is totally different than that of small and medium.

Meeting with KOTRA for new Research/Survey

Jong Won Kim, Director General, Korea Trade Investment Promotion Agency (KOTRA) and Commercial Counselor, South Korean Embassy and Faruque Ahmed, Senior General Manager, Korea Trade Investment Promotion Agency (KOTRA), Commercial Section, Embassy of the Republic of Korea met CEO BUILD Ferdaus Ara Begum on March 9, 2020 at BUILD.

It was agreed that in order to identify new businesses or sectors from stakeholders in Bangladesh a Survey can be conducted in cooperation with BUILD.

To know or understand the detailed plan a workshop can be organized by KOTRA along with 20-30 Japanese Companies who will provide the capital machineries to Bangladeshi business entrepreneurs. A B2B discussion can also be organized.

Discussion Session on Women Entrepreneurship Development, Possibility, Challenges & Solutions

A Discussion session on Women Entrepreneurship Development, Possibility, and Challenges & Solutions was organized by Bangladesh Bank on March 6, 2020 at the auditorium at Bangladesh Institute of Bank Management (BIBM). Ferdaus Ara Begum, CEO, Business Initiative Leading Development (BUILD) moderated the session.

The program was organized by the SME and Special Program Department, Bangladesh Bank at the Banker-SME Women Entrepreneurs Conference and Product Exhibition.



CEO BUILD Ferdaus Ara Begum is seen along with other distinguished in the seminar

Dr. Nazneen Ahmed, Senior Research Fellow, Bangladesh Institute of Development Studies (BIDS) presented the keynote. Panel discussants were Rokeya Afzal Rahman, former Adviser to the Care taker Government, Nazneen Sultana, former Deputy Governor, Bangladesh Bank, Dr. Ayesha Banu, Professor, Department of Women and Gender Studies, University of Dhaka and Syed Abdul Momen, Head of SME, SME Banking Division, BRAC Bank. 2020 commemorating the Women's Day of this year.

While moderating the session, CEO BUILD put emphasis on economic empowerment of women to improve their situation; she said that a significant number of women are in the informal sector and thus deprived of a number of legal support.

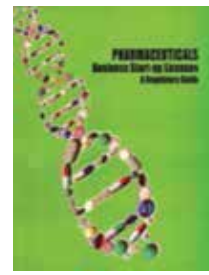
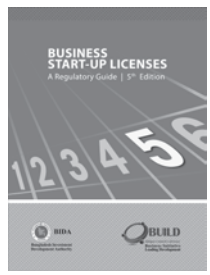
Meeting with DFID Representative

Rebecca Dadzie Rebecca, Private Sector Development Adviser at DFID Kenya receives publication of BUILD from BUILD CEO on March 7, 2020.



Mashfiq Ibne Akbar, Private Sector Development Adviser at DFID Bangladesh joined the meeting as well. The DFID Team paid the visit to BUILD to discuss how to Modernize and reform the regulatory framework that governs the private sector in Bangladesh and Improve private sector access to industrial land and infrastructure.

Publications



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